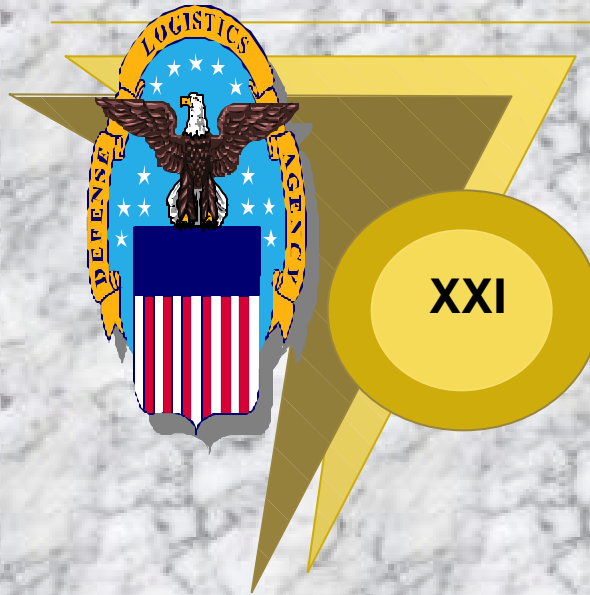


Overview of Draft DLA-PGM-002

PLATINUM AND PALLADIUM



**Industry Meeting on DNSC Sales of PGM
The New York Hilton - August 23, 2001**

AGENDA FOR PLATINUM GROUP METALS INDUSTRY MEETING

August 23, 2001

- ◆ **Opening Comments - Cornel Holder**
- ◆ **AMP - Cheryl Deister**
- ◆ **Daily Marketing Surveys - Janet Rollins**
- ◆ **Discussion of the BOA - Rick Talbott and
Debbie Nicholson**
- ◆ **Free Markets Auction - Jody Oliver**
- ◆ **Open Discussion**

DEFENSE NATIONAL STOCKPILE CENTER'S PRIMARY MISSION

- ◆ To provide the U.S. with a defense stockpile of strategic and critical materials
- ◆ To insure the U.S. Industrial Base against a dangerous and costly dependence upon foreign sources in times of national emergency
- ◆ To maintain the stockpiled materials in forms suitable for modern industry

ANNUAL MATERIALS PLAN (AMP)

- ◆ Defense Authorization Acts give general authority to sell commodities
- ◆ Annual Materials Plan (AMP) sets specific annual sales ceilings
- ◆ Market Impact Committee advises on AMP

MARKET IMPACT COMMITTEE

◆ **Mission of this Committee:** “...advise the Stockpile Manager on economic effects of disposals...”

◆ **Members of this Committee:**

State (Co-Chair)

Interior

Commerce (Co-Chair)

Agriculture

Defense

Treasury

Energy

FEMA



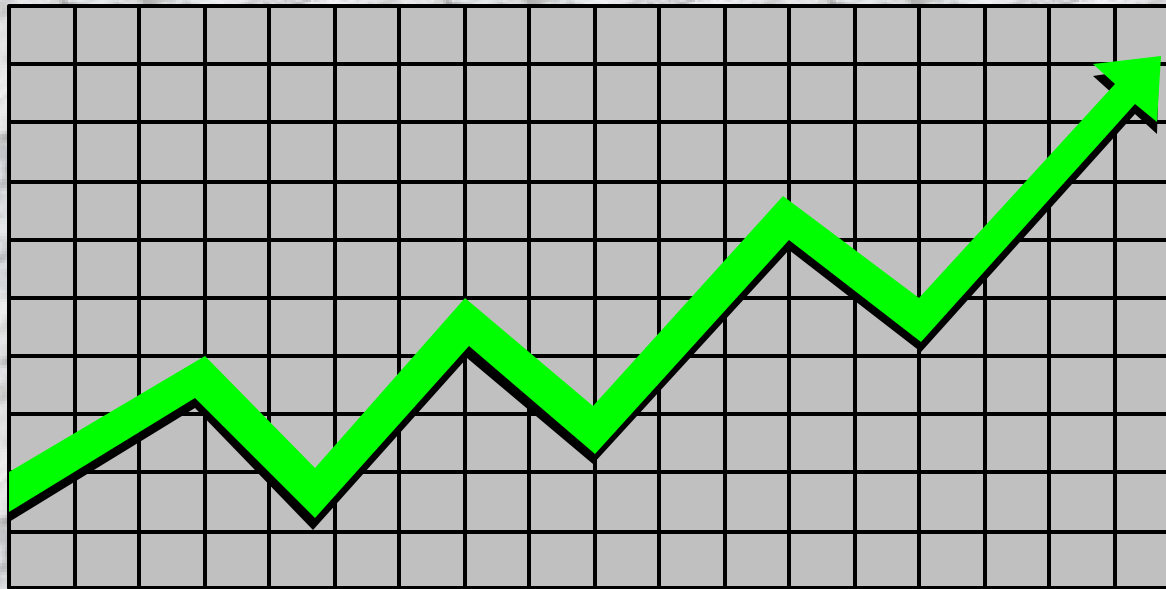
STRATEGIC AND CRITICAL MATERIALS STOCKPILING ACT

- ◆ **Section 6(b)(2)** - efforts shall be made in the acquisition and sale of such materials to avoid undue disruption of the usual markets of producers, processors, and consumers of such materials and to protect the United States against avoidable loss.

ANNUAL MATERIALS PLAN (AMP)

	TOTAL INVENTORY (Troy Oz.)	FY01 AMP (Troy Oz.)	FY02 AMP (Troy Oz.)
◆ PLATINUM	143,358	125,000	125,000
◆ PALLADIUM	537,378	600,000	600,000
◆ IRIDIUM	26,569	No Authority to Sell	

MARKET DYNAMICS



MARKETING SURVEYS

- ◆ **DNSC-R will conduct daily market inquiries to obtain market trends/prices/activity:**
 - ◆ **Will gather daily quotes on Pt/Pd**
 - ◆ **Will glean latest market developments**

MARKETING SURVEYS

- ◆ **DNSC-R will track market pricing for PGM**
- ◆ **To do so:**
 - ◆ **Will track London PM Fix for Pt and Pd**
 - ◆ **Will track NYMEX for Pt and Pd**
 - ◆ **Will track Metals Week NY Dealer price**
 - ◆ **What is most widely used price for Pt/Pd?**

DETAILS OF BOA

- ◆ Ms. Debbie Nicholson
 - ◆ Ms. Stacey Watson
- DNSC-C2**



PLATINUM GROUP METALS

- ◆ **DLA-PGM-002**
- ◆ **Sales Format: Basic Ordering Agreement (BOA)**
- ◆ **Sales/Offerings: Depending on market dynamics**
- ◆ **Material offered by commodity**

- ◆ **FY 2001 AMP:**
 - ◆ **Platinum - 125,000 Troy Ounces**
 - ◆ **Palladium - 600,000 Troy Ounces**

Section A- Agreement/ Contract Form

◆ Agreement/Contract Form: an executed copy of the Basic Ordering Agreement and the Quote/Award Form *together* will constitute a contract

◆ Material Description:

Platinum - 99.95% ingot

(London Good Delivery)

Palladium - 99.95% sponge

Section A- Agreement/ Contract Form

- ◆ Material is located in unallocated pool accounts:
 - ◆ Platinum - Morgan Guarantee Trust Company of New York
 - ◆ Palladium - Johnson Matthey and dmc-2

Section B - PreQualification

- ◆ Submittals to register and qualify under BOA:
 - ◆ Applicants must read and agree to conform to the terms and conditions of the Basic Ordering Agreement by completing pertinent sections of the BOA cover sheet
 - ◆ Complete Certifications I.3 through I.7
- ◆ Government will review submittals
 - ◆ Government will evaluate and establish financial responsibility of applicant and Government will execute BOA and return copy to applicant

Section B - PreQualification

- ◆ Applicants interested in payment terms must submit the following:
 - ◆ **Income statement and balance sheet**
 - ◆ **References**
- ◆ In addition, Government will review copy of Dun & Bradstreet Report and DNSC sales history (if applicable)

Section B - PreQualification

- ◆ Based on financial strength of company, determination will be made on payment terms and credit limit established
- ◆ Notification will be forwarded to Applicant by letter within five working days

Section B - PreQualification

- ◆ Companies may register and qualify under the BOA at any time
- ◆ Re-evaluation of submittal documents and financial information may be required periodically
- ◆ Representations and certifications must be updated annually

Section C - Quotes

Sales Procedures

- ◆ A listing of material available for sale will be posted on the website <https://www.dnsc.dla.mil> by 11:30 a.m., local time, Ft. Belvoir, VA
- ◆ Contacts for problems accessing website:
 - ◆ Debbie Nicholson (703) 767-5478
 - ◆ Stacey Watson (703) 767-5490
 - ◆ Rick Talbott (703) 767-5497

Section C - Quotes

- ◆ Quotes shall be submitted on I.2 Quote/Award Form. Offeror must indicate compliance with I.3 and I.4
- ◆ Quotes must be faxed and received by 1:30 p.m., local time, Ft. Belvoir, VA at (703) 767-5541
- ◆ Contracts will be awarded within 1 hours from cut-off time

Section C - Quotes

- ◆ Quotes shall be a fixed dollar and cents value per troy ounce at or above the London p.m. fix for the day succeeding the date of award.
- ◆ Modification will be issued against all contracts establishing the exact unit price the next business day succeeding the date of award.

Section C - Quotes

- ◆ Contract will be cancelled should the London p.m. fix price for the day succeeding the date of award fall by more than 3% for platinum and 5% for palladium

Section C - Quotes

◆ Evaluation of Quotes

- ◆ Price and price alone
- ◆ Must have completed BOA package prior to quoting

◆ Contract Award

- ◆ I.1 Quote/Award Form - signed by Contracting Officer

Section D - Payment

◆ Cash and Carry

- ◆ Payment before transfer/shipment
- ◆ Payment before contract expiration date

◆ Payment Terms

- ◆ Must be pre-approved
- ◆ Five days after transfer/shipment of material

Section D - Payment

- ◆ **DNSC will monitor payment terms and credit limits closely**

- ◆ If contractor reaches its credit limit, all subsequent sales will be on a cash and carry basis until account balance is reduced or credit limit is increased
- ◆ If contractor has delinquent account, it can no longer participate in sales program until delinquency has been eliminated

Section E- Material Transfer/Removal

◆ Transfer/Removal

- ◆ Transfer/Removal Instructions must be received within two business days from contract award
- ◆ Contract period excludes Sat., Sun., and holidays
- ◆ If contractor fails to provide transfer/removal instructions within contract period, contract could be terminated for default

Section E- Material Transfer/Removal

◆ Delivery of Material

◆ Transfer Material into an unallocated account already established with the institutions where material is located.

◆ Individuals that do not have an account at the institutions must contract them directly - but the institutions are not obligated to establish an account but will be allowed to physically remove material from their vaults

Section E- Material Transfer/Removal

◆ Delivery of Material

◆ Shipment of Material require a minimum of five business days notice

◆ Material is sold on an F.O.B basis from the vaults

◆ Preparation and Packing Charges will apply
(See Section E.2 for amounts)

Section F - Shipping

Request for Shipment

- ◆ **J.2 Transfer/Shipping Instructions** must be sent/faxed to the Contracting Officer to initiate transfer/shipment of material
 - ◆ **Delivery F.O.B Carrier's Conveyance** for physical shipments
 - ◆ **Incomplete transfer/shipping instructions may cause a delay in receipt of material**

Section F - Shipping

Request for Shipment

- ◆ **No material will be transferred/shipped until all outstanding delinquent charges and payments have been satisfied**
- ◆ **Transfer/Shipping Instructions will only be accepted from those individuals designated as authorized to transfer/ship material (See Section I.6)**

Section G - Contract Administration

◆ Amendments and Modifications

- ◆ Shall be in writing and signed by Contracting Officer

◆ Title

- ◆ Title of material passes to buyer upon execution of the contract

◆ Set-Off of Funds

- ◆ All monies received by Government may be used to satisfy any outstanding Contractor debt

ELECTRONIC BULLETIN BOARD

<https://www.dnsc.dla.mil>

- ◆ Participants will be able to access PGM sales information from DNSC Home Page
- ◆ Basic Ordering Agreement will be accessible from the PGM Web Page
- ◆ Quote/Award Form (I.2) will be accessed, completed, and printed through the PGM Web Page but will not be interactive

ELECTRONIC BULLETIN BOARD

<https://www.dnsc.dla.mil>

- ◆ The following areas will be updated daily on the PGM Bulletin Board:
 - ◆ Date of Material Offering
 - ◆ Telephone number of POC (for questions)
 - ◆ Commodity for Sale or “No sales for today”
 - ◆ Quantity of Material Available for Sale
 - ◆ Location of Material
 - ◆ Minimum Quantity
 - ◆ Results of previous day’s sales

AUCTION



- ◆ In October DNSC will utilize FreeMarkets as a mechanism to auction PGMs
- ◆ DNSC will continue to post material available for sale on the web-site

World's Leading Global e-Marketplace



Pittsburgh

Washington D.C.
Detroit
Chicago
Houston
San Jose

Brussels

London
Frankfurt
Paris
Zurich
Budapest

Singapore

New Delhi
Tokyo
Hong Kong
Melbourne

Founded 1995

\$21.2 Billion volume

\$4.2 Billion savings

Over 14,700 online markets

Over 14,000 suppliers

123 buying companies

Over 185 categories

Over 1,050 employees

Over 35 languages

Objective of Online Markets

- Open and fair market
- True market pricing
- Efficient and timely process
(web-based, no special software required)
- Complement, not replace existing process

Process for Online Bidding

- Register on FreeMarkets site
www.assetauctions.freemarkets.com
- FreeMarkets will train all bidders provided by DNSC before Oct 1st (less than 10 minutes)
- Each daily auction will contain 14 lots
(7 lots of Platinum, 7 lots of Palladium)

Process for Online Bidding (Cont.)

- Private Auction will be posted by 11:30 am
 - Only invited buyers, DNSC and FreeMarkets will see these auctions
- Platinum lots close between 12:00 & 1:00 pm
- Palladium lots close between 1:00 & 2:00 pm
- Overtime feature (1 minute time interval)



FreeMarkets Demonstration



Thank you for your participation in the PGM Industry Meeting!

RICHARD CONNELLY

Administrator, 703-767-5500

CHERYL DEISTER

Director of Contracting , 703-767-5475

DEBBIE NICHOLSON

Contract Specialist, 703-767-5478

CHRISTINE BOND

Market Analyst, 703-767-6481

MARVA GETTIS

Storage Specialist, 703-767-7615

CORNEL HOLDER

Deputy Administrator, 703-767-5476

RICK TALBOTT

Contracting Officer, 703-767-5497

STACEY WATSON

Contract Specialist, 703-767-5490

JANET ROLLINS

Market Analyst, 703-767-6478

ESSIE SCHLOSS

Counsel, 703-767-7648

The Defense National Stockpile Center

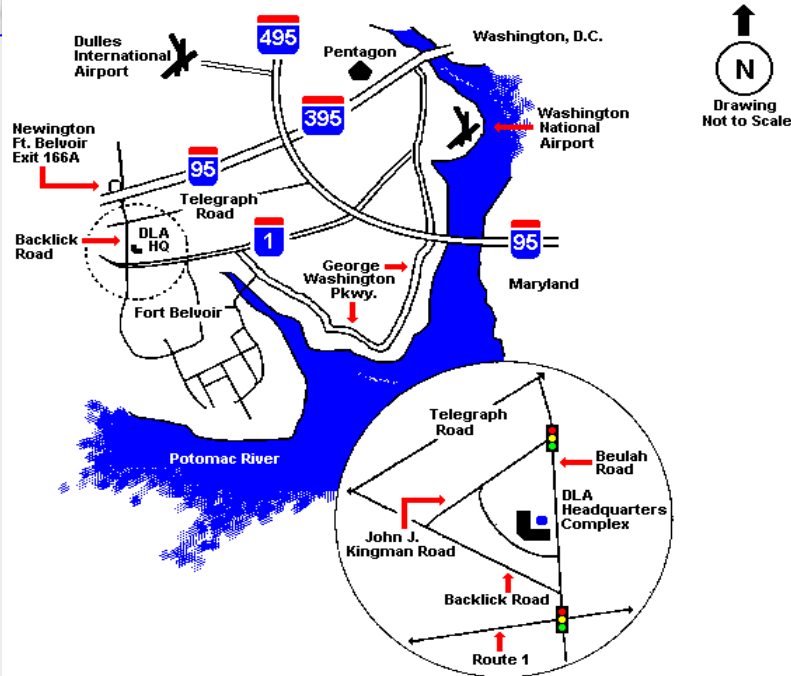
<https://www.dnsc.dla.mil>



Come Visit Us

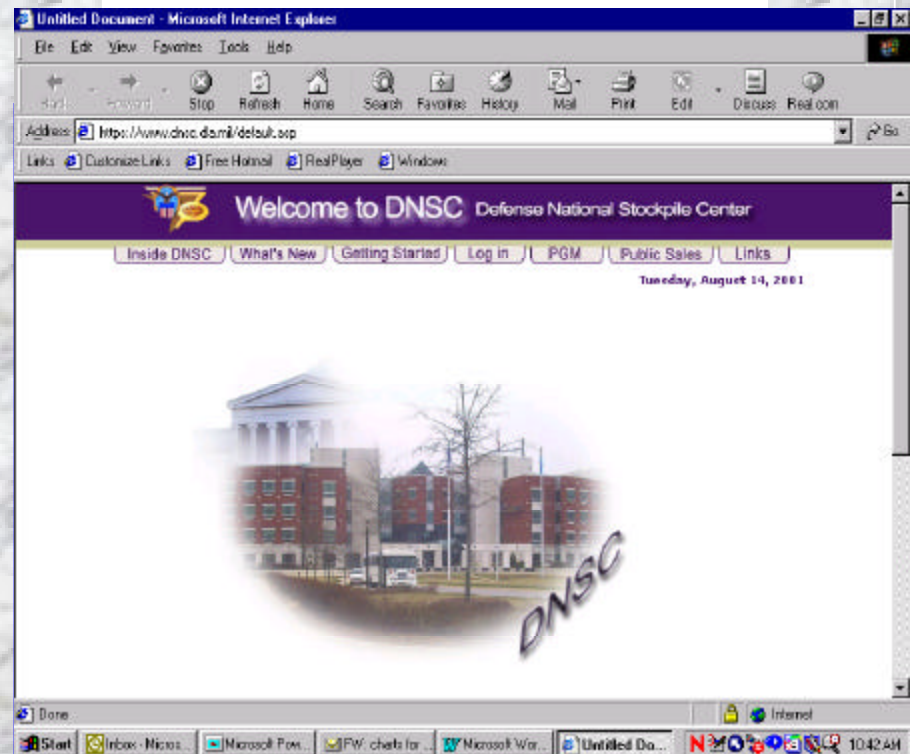
703-767-5500

...at the office



Fort Belvoir, VA

...or on our website



<https://www.dnsc.dla.mil>